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ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES



1961
FINANCIAL STATEMENTS

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ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1961

ASSETS

	1961	1960
Current Assets:		
Cash	\$ 24,739,650	\$ 30,099,042
Receivables	13,835,399	13,678,868
Receivable from affiliated companies	85,443,956	73,828,271
Inventories of aluminum, materials and supplies (note 2)	109,320,277	98,683,008
	233,339,282	216,289,189
Deferred receivables	7,091,432	15,078,779
Prepaid expense and deferred charges	7,163,236	8,986,784
Investments in and advances to affiliated companies	979,883	2,085,795
Lands, plants, riparian rights, and facilities, at cost (note 3)	1,284,890,471	1,264,495,962
Less: Accumulated amortization, depreciation and depletion (note 4).	499,771,231	460,404,699
	785,119,240	804,091,263
	\$1,033,693,073	\$1,046,531,810

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1961

LIABILITIES

	1961	1960
Current Liabilities:		
Payables.....	\$ 28,234,179	\$ 29,503,305
Payable to Aluminium Limited—Parent Company.....	—	6,710,000
Payable to affiliated companies.....	9,771,906	8,243,746
Preferred dividends declared.....	728,997	745,672
Income and other taxes.....	16,197,246	16,865,872
Other debt payable within one year (note 5).....	1,739,896	612,000
	56,672,224	62,680,595
Debt not maturing within one year (note 5).....	512,361,169	516,723,046
Reserve for future income taxes (note 4).....	124,322,552	126,425,549
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares:		
4% first preferred — par \$25 — 403,161 shares outstanding (415,319 shares at 31st December 1960).....	10,079,025	10,382,975
4½% second preferred — par \$50 — 1,118,643 shares outstanding (1,144,278 shares at 31st December 1960).....	55,932,150	57,213,900
Common shares — without nominal or par value: 8,800,000 shares outstanding.....	100,000,000	100,000,000
Capital surplus.....	8,988,825	7,403,125
Earned surplus (note 6).....	165,337,128	165,702,620
	340,337,128	340,702,620
	\$1,033,693,073	\$1,046,531,810

Signed on behalf of the Board,

FRASER W. BRUCE, *Director*

DANA T. BARTHOLOMEW, *Director*

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Income
For the Year Ending 31st December 1961

	<u>1961</u>	<u>1960</u>
Sales and Revenues:		
Sales	\$309,947,402	\$305,937,729
Operating revenues (transportation services, power sales, etc.)	40,786,698	41,762,038
Other income (note 7)	1,635,736	12,546,823
	<u>352,369,836</u>	<u>360,246,590</u>
 Costs and Expenses:		
Cost of sales and operating expenses	221,966,889	225,565,475
Provision for depreciation and depletion (note 4)	45,799,339	43,826,971
Selling, general and administrative expenses	23,556,980	22,727,192
Interest on debt not maturing within one year	21,718,300	21,739,507
Other interest	818,926	561,865
	<u>313,860,434</u>	<u>314,421,010</u>
 Income before income taxes	38,509,402	45,825,580
Provision for current income taxes	19,042,165	13,779,869
Reserve for future income taxes (note 4)	(2,102,997)	5,027,562
	<u>16,939,168</u>	<u>18,807,431</u>
 Net income	<u>\$ 21,570,234</u>	<u>\$ 27,018,149</u>

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1961

EARNED SURPLUS

Earned Surplus — 31st December 1960.....		\$165,702,620
Net income for the year.....		21,570,234
		187,272,854
Dividends:		
4% First preferred.....	\$ 403,435	
4½% Second preferred.....	2,531,307	
Common.....	17,523,152	20,457,894
Appropriations for the purchase for cancellation of preferred shares.....		1,477,832
		21,935,726
Earned surplus — 31st December 1961.....		\$165,337,128

CAPITAL SURPLUS

Capital surplus — 31st December 1960.....		\$ 7,403,125
Par value of preferred shares purchased for cancellation.....		1,585,700
Capital surplus — 31st December 1961.....		\$ 8,988,825

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALUMINUM COMPANY OF CANADA, LIMITED:

We have examined the consolidated balance sheet of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1961 and the related consolidated statements of income and surplus for the year then ended and have obtained all the information and explanations which we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statements of income and surplus, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1961 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse & Co.
Chartered Accountants.

Montreal, 8th March 1962.

ALUMINUM COMPANY OF CANADA, LIMITED

and Subsidiary Companies

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries (which are all fully owned) comprising Alcan Jamaica Limited (formerly Alumina Jamaica Limited); Chaguaramas Terminals Limited; Demerara Bauxite Company, Limited; Kitimat Terminals Limited; Newfoundland Fluorspar Limited; Saguenay-Kitimat Company; Saguenay Shipping Limited; Saguenay Shipping (U.K.) Limited; Saguenay Terminals Limited; and The Roberval and Saguenay Railway Company.

All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange at 31st December 1961, except that (a) certain bank balances, inventories, investments and fixed assets with related reserves are at rates determined at dates of acquisition, and (b) debts not maturing within one year are at rates current at dates of issue except that the first mortgage 3½% sinking fund bonds, due 1974, payable in United States currency, are stated on a dollar for dollar basis.

2. Inventories of Aluminum, Materials and Supplies:

Inventories, as summarized below, are stated at lower of cost or market.

	1961	1960
Aluminum.....	\$ 63,288,753	\$ 51,237,847
Raw materials.....	57,921,443	55,040,639
Supplies.....	14,457,797	14,175,670
	135,667,993	120,454,156
Less: Partial payments against aluminum under contracts for delivery at customer's option	26,347,716	21,771,148
	\$ 109,320,277	\$ 98,683,008

3. Lands, Plants, Riparian Rights, and Facilities, at Cost:

	1961	1960
Land and water rights.....	\$ 34,220,710	\$ 34,347,917
Mineral properties, rights and development.....	10,512,252	9,833,338
Buildings, machinery and equipment.....	1,179,865,479	1,122,639,710
Uncompleted facilities.....	46,896,296	45,881,004
	1,271,494,737	1,212,701,969
Construction work in progress.....	13,395,734	51,793,993
	\$1,284,890,471	\$1,264,495,962

The expenditure for uncompleted facilities represents the cost of certain smelter facilities in British Columbia, the construction of which, though since resumed at a slow pace, was suspended in 1957.

Capital projects envisaged for the next few years are expected to involve the expenditure of about \$33 million during 1962.

4. Depreciation Policy and Reserve for Future Income Taxes:

With minor exceptions, depreciation recorded in the accounts is calculated on a straight-line basis in respect of all completed facilities. Commencing in 1958 depreciation on this basis has also been charged in respect of the uncompleted facilities in British Columbia referred to in Note 3.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Reserve for Future Income Taxes. When the allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the reserve is transferred back to income.

	1961	1960
5. Debt not maturing within one year:		
Aluminum Company of Canada, Limited:		
Revolving credit loans from banks, under U.S. \$160,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1964) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$132,000,000).....	\$128,814,165	\$115,519,907
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A".....	4,960,000	5,038,000
Series "B" (U.S. \$10,478,000).....	10,478,000	11,478,000
Commutation value of contractual obligation for annual payments secured by second hypothec—payable in Canadian currency and in United States currency in equal parts	6,825,000	7,125,000
3½% Sinking fund debentures, due 1971.....	31,841,000	33,212,000
3¾% Sinking fund debentures, due 1970 (U.S. \$56,884,000).....	55,977,411	62,362,993
4½% Sinking fund debentures, due 1973.....	40,015,000	42,113,000
4½% Sinking fund debentures, due 1980 (U.S. \$107,928,000).....	104,449,869	109,745,526
Redeemable notes — payable to the U.K. Government — interest and \$59,966,250 of principal abatable in certain circumstances as provided in the contracts under which they were issued:		
3% Notes, due 1971.....	54,950,000	54,950,000
3½% Notes, due 1971.....	24,975,000	24,975,000
3½% Notes, due 1974.....	40,000,000	40,000,000
Alcan Jamaica Limited:		
Bank loans, due 1965 (£4,000,000).....	10,815,620	10,815,620
	<u>514,101,065</u>	<u>517,335,046</u>
Less: Debt payable within one year included in current liabilities (\$17,919,337 less \$16,179,441 already redeemed).....	1,739,896	612,000
	<u>\$512,361,169</u>	<u>\$516,723,046</u>

Allowing for payments already made, sinking fund requirements over the next five years against the above debt, other than bank loans, amount to approximately \$1.7 million in 1962 (appearing under Current Liabilities), \$13.4 million in 1963, and \$17.8 million in each of the subsequent three years.

6. Earned Surplus:

Pursuant to the provisions of the 4½% sinking fund debentures, due 1980, approximately \$133 million of earned surplus at 31st December 1961, subject to certain reservations, is not available for payment of cash dividends on the common stock.

7. Other Income:

	1961	1960
Gain on disposal of surplus fixed assets.....	\$ 639,095	\$ 1,211,744
Profit from redemption of debt.....	(495,192)	1,337,791
Cancellation fee.....	—	9,009,875
Other.....	1,491,833	987,413
	<u>\$ 1,635,736</u>	<u>\$ 12,546,823</u>

8. Commitments:

A consolidated subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to \$14.8 million in 1962 (\$23.7 million paid in 1961), \$11.3 million in 1963, \$7.5 million in 1964, \$5.5 million in 1965, \$3.7 million in 1966, \$2.7 million in 1967 and lesser amounts up to 1974.

The Company has undertaken to purchase annually until 1973 certain quantities of semi-fabricated metal from Alroll Inc., an affiliated company. Under normal operations, Alroll's revenue from metal purchases contracted for by the Company and by other customers will be sufficient to enable it to meet all its obligations, including the service of its debt. However, to enable Alroll to service its debt, the Company could be required, under certain exceptional circumstances, to advance to Alroll maximum annual amounts estimated at \$5 million in 1963 and lesser amounts through 1972 without obtaining an equivalent value in metal.

See also reference to capital expenditure program in note 3.

9. Statutory Information:

Executive salaries for the year 1961 were \$691,331, legal fees \$107,598, Canadian income taxes \$9,671,294.

ALUMINUM COMPANY OF CANADA, LIMITED
MONTREAL, QUE., CANADA

DIRECTORS

DANA T. BARTHOLOMEW
President, Aluminium Securities Limited

FRASER W. BRUCE
President of the Company

NATHANAEL V. DAVIS
President, Aluminium Limited

JAMES A. DULLEA
President, Aluminium Secretariat Limited

PAUL LAROQUE
Vice President, Aluminium Secretariat Limited

EDWIN J. MEJIA
President, Alcan International Limited

R. E. POWELL
Honorary Chairman of the Company

J. ALEX. PRUD'HOMME, Q.C.
Geoffrion & Prud'homme

H. H. RICHARDSON
President, Aluminium Laboratories Limited

M. P. WEIGEL
Director of Operations, Aluminium Limited

OFFICERS

FRASER W. BRUCE, *President*

J. ALEX. PRUD'HOMME, Q.C., *Vice President*

J. B. WHITE, *Vice President and General Manager*

PAUL LEMAN, *Vice President and Treasurer*

CLAUDE P. BEAUBIEN, *Vice President*

N. S. CRERAR, *Vice President*

RODNEY NORTHEY, *Vice President*

P. E. RADLEY, *Vice President*

E. H. EBERTS, *Secretary*

